Processes in the area of risk management should also be enhanced. This could include the use of multiple periodic ratings to ensure an independent analysis is performed on the investment portfolio. Additionally, stress modeling could be performed to proactively assess the balance sheet impact under various scenarios. Furthermore, concentration limits should be established by obligor, segment and geographic concentrations to minimize risk in these areas.

We believe that board governance be enhanced as well. It is of our opinion that the board be limited to nine members. The composition of the Boards would be one member from the corporate credit union (not eligible to be elected Chair or Vice Chair) and eight outside members. The composition of the remaining eight would be equally divided between officials of natural person credit unions and individuals from outside the credit union industry. Certain limitations could also be placed on former employees of the corporate credit union and officers of the natural person credit unions for the purpose of being “outside the credit union industry”. This could keep retiring officials and employees at an arms length while maintaining the intent of the structure of the Board. Education and experience qualifications should be defined to ensure that the Board has ability, knowledge and experience to guide the entity through these difficult times.

Proposed Comment for Corporate ANPR

It is our belief that a vibrant functional corporate credit union network is essential in the continuation of the Credit Union Movement. We also believe that at least initially we as an industry should attempt to shore up the corporate system without the use of TARP funding. That being said, we have no certainty of the enormity of future issues currently recorded on the balance sheets of the various corporate credit union. At this time we cannot totally discount the future use of TARP funds. We envision this as a backstop facility to aid the corporate credit union network and to diffuse the erosion of capital in all natural person credit unions. This could trigger an up tick on the taxation status of the credit union industry. However, this is a conflict that has been ongoing and there is no certainty of the future tax status of credit unions. It should also be understood that many of the OTTI issues recorded in the corporate credit union's balance sheets have been directly caused by the banking industry, investment houses, and regulators who are receiving TARP funding. These write downs have caused the erosion of corporate credit union capital below the required levels.

The roles of the corporate credit union have evolved over time and deserve an assessment of the current structure of the network. Processing and investments are currently housed in one consolidated entity with one capital requirement. We propose that the processing and investment functions be segregated by corporate entity for a twofold reason. There is more risk in the area of investments and higher risk based capital requirements can be required on the investment segment of the business. A lower capital requirement would be required on the segment of business with less risk. Secondly, under dire circumstances, one segment of the business could be allowed to fail while not affecting the processing activities performed for natural person credit union.

There are currently 28 corporate credit unions within the corporate credit union network. These could be consolidated in a more regionalized structure and the number of corporate credit union reduced. This could be done in a structure comparable to the Federal Home Loan Bank system. By reducing the number of corporate credit unions, a greater economy of scale could be achieved by eliminating the duplicity of functions housed at the merged corporate credit unions. The remaining institutions could continue with national fields of membership. Continuing the competitive environment is generally in the best interest of the natural person credit unions. Under this structure a natural person credit union would not be "held hostage" by an inferior corporate credit union in a particular region. Under this scenario, the wholesale corporate credit union could be eliminated and the remaining institutions could access the CLF directly for liquidity needs.

In this environment with reduced expenses, a higher risk based capital requirement could be maintained. Also, with fewer corporate credit unions to monitor NCUA would have more resources to adequately oversee the remaining institutions. This would also include an assessment of the permissibility of investments such as CDOs, NIMs, Subprime and Alt A investments as well as any loss reserves for those investments.